

CLAUSE I-152 – INSPECTION – TIME AND MATERIAL AND LABOR-HOUR (August 2002)

- (a) Definitions. "Subcontractor's managerial personnel," as used in this clause, means any of the Subcontractor's directors, officers, managers, superintendents, or equivalent representatives who have supervision or direction of –
- (1) All or substantially all of the Subcontractor's business;
  - (2) All or substantially all of the Subcontractor's operation at any one plant or separate location at which the subcontract is being performed; or
  - (3) A separate and complete major industrial operation connected with the performance of this subcontract.
- "Materials," as used in this clause, includes data when the subcontract does not include the Warranty of Data clause.
- (b) The Subcontractor shall provide and maintain an inspection system acceptable to the SURA covering the material, fabricating methods, work, and services under this subcontract. Complete records of all inspection work performed by the Subcontractor shall be maintained and made available to the SURA during subcontract performance and for as long afterwards as the subcontract requires.
- (c) The SURA has the right to inspect and test all materials furnished and services performed under this subcontract, to the extent practicable at all places and times, including the period of performance, and in any event before acceptance. The SURA may also inspect the plant or plants of the Subcontractor or any lower tier subcontractor engaged in subcontract performance. The SURA shall perform inspections and tests in a manner that will not unduly delay the work.
- (d) If the SURA performs inspection or test on the premises of the Subcontractor or a lower tier subcontractor, the Subcontractor shall furnish and shall require lower tier subcontractors to furnish all reasonable facilities and assistance for the safe and convenient performance of these duties.
- (e) Unless otherwise specified in the subcontract, the SURA shall accept or reject services and materials at the place of delivery as promptly as practicable after delivery, and they shall be presumed accepted 60 days after the date of delivery, unless accepted earlier.
- (f) At any time during subcontract performance, but not later than 6 months (or such other time as may be specified in the subcontract) after acceptance of the services or materials last delivered under this subcontract, the SURA may require the Subcontractor to replace or correct services or materials that at time of delivery failed to meet subcontract requirements. Except as otherwise specified in paragraph (h) below, the cost of replacement or correction shall be determined under the Payments Under Time-and-Materials and Labor-Hour Contracts clause, but the "hourly rate" for labor hours incurred in the replacement or correction shall be reduced to exclude that portion of the rate attributable to profit. The Subcontractor shall not tender for acceptance materials and services required to be replaced or corrected without disclosing the former requirement for replacement or correction, and, when required, shall disclose the corrective action taken.
- (g) (1) If the Subcontractor fails to proceed with reasonable promptness to perform required replacement or correction, and if the replacement or correction can be performed within the ceiling price (or the ceiling price as increased by the SURA), the SURA may –
- (i) By subcontract or otherwise, perform the replacement or correction, charge to the Subcontractor any increased cost, or deduct such increased cost from any amounts paid or due under this subcontract; or
  - (ii) Terminate this subcontract for default.
- (2) Failure to agree to the amount of increased cost to be charged to the Subcontractor shall be a dispute.
- (h) Notwithstanding paragraphs (f) and (g) above, the SURA may at any time require the Subcontractor to remedy by correction or replacement, without cost to the SURA, any failure by the Subcontractor to comply with the requirements of this subcontract, if the failure is due to (1) fraud, lack of good faith, or willful misconduct on the part of the Subcontractor's managerial personnel or (2) the conduct of one or more of the Subcontractor's employees selected or retained by the Subcontractor after any of the Subcontractor's managerial personnel has reasonable grounds to believe that the employee is habitually careless or unqualified.
- (i) This clause applies in the same manner and to the same extent to corrected or replacement materials or services as to materials and services originally delivered under this subcontract.

- (j) The Subcontractor has no obligation or liability under this subcontract to correct or replace materials and services that at time of delivery do not meet subcontract requirements, except as provided in this clause or as may be otherwise specified in the subcontract.
- (k) Unless otherwise specified in the subcontract, the Subcontractor's obligation to correct or replace SURA-furnished property shall be governed by the clause pertaining to SURA property.